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DIRECTORATE OF INTELLIGENCE

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Sri Lanka: Implications of Communal Violence [REDACTED]

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SUMMARY

Solutions to Sri Lanka's thorny communal impasse seem more remote than ever following a week-long outbreak of the most vicious Tamil-Sinhalese violence since independence. The unprecedented intensity of the fighting--coupled with the lateness and pro-Sinhalese bias of the government's response--has further polarized an already divided country and undermined both the President's and the government's ability to mediate. As long as these tensions persist, Sri Lanka will be dangerously vulnerable to random acts of terrorism by Tamil extremists that will set off new rounds of violence. Nevertheless, we do not believe that communal instability is likely to pose any real threat to Sri Lanka's pro-West government. [REDACTED]

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We believe that the government will eventually need to grant a measure of autonomy to Tamil-majority areas to achieve communal peace, yet Colombo appears less willing than ever to consider

* This paper was prepared by [REDACTED] the Office of Near Eastern-South Asian Analysis, with a contribution [REDACTED] Comments and queries are welcome and may be addressed to the Chief, South Asia Division, NESAS, [REDACTED] Information as of 9 August was used in the preparation of this report.

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this alternative. A new law banning separatism has effectively outlawed the moderate Tamil United Liberation Front, thus depriving the Tamils of a voice in government, removing a significant moderating force in communal relations and further dividing the country. []

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President Jayewardene's plans for creating a dynamic, market-oriented economy have been thwarted at least for the next year and probably much longer. Although few basic production facilities were destroyed during the July-August clashes, incomes will be substantially reduced following the fracture of the Tamil-dominated trading network. Greater government controls are likely to be imposed in order to allocate goods and credit and meet the cost of reconstruction without rekindling Tamil-Sinhalese confrontation. Additional strains on a balance of payments situation that was already troubled increase the risk that Sri Lanka will seek rescheduling of part of its debt service obligations within the next two years. []

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US attempts to aid Sri Lanka risk straining relations with New Delhi, which is protective of countries within its perceived security perimeter. We believe India fears that the US may inject itself into the situation in ways that challenge New Delhi's dominance of the Subcontinent. India will steadfastly oppose military aid to Colombo and will insist on a direct role for itself in international relief efforts. []

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Sri Lanka is slowly returning to normal following the most widespread communal violence since independence in 1948, but the country remains tense and potentially explosive. As it recovers, Sri Lanka will be especially vulnerable to new acts of terrorism by Tamil separatists, who may be encouraged by the divisive effects of the recent mayhem to strike again soon and set off a new round of fighting. []

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In our view, the most harmful and far-reaching consequence of the recent violence is the further polarization of an already divided country. We believe the extraordinary ferocity of the violence has scuttled chances of building a more constructive relationship between the minority Tamil and majority Sinhalese communities for the foreseeable future. Tamils will be further convinced of the need for their own state on the island--something Jayewardene and his predominantly Sinhalese government are determined to avoid. []

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The recent unrest exhibited a disturbing trend toward increased savagery which may continue in future communal outbreaks. Whereas in the past communal violence was directed primarily against property, this episode included unprecedented attacks on individuals. Official government tallies of Tamils

killed--between 200 and 300--are certainly low. Perhaps twice as many may have been slain by rampaging Sinhalese, many of them burned, lynched, or hacked to death in the streets. We believe the extraordinary organization and precision with which the Sinhalese attacked--using voter lists to identify Tamil dwellings, for example--indicates an ominous degree of premeditation. []

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Government Response

The government's credibility with the Tamil community has been badly eroded by the strong pro-Sinhalese overtones of its reaction to the crisis. Public confidence in the government's ability to maintain order and essential services was fundamentally shaken by its slow response. The leadership appeared paralyzed during the first few days of fighting and was strangely silent on the situation--neither the President nor the Prime Minister issued appeals for calm. []

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Security forces were largely ineffective in controlling mob violence, in many cases because of pro-Sinhalese bias. Numerous reports indicate that troops and police often stood by during the fighting, and several suggest that they actively participated in the widespread looting and arson. []

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We believe this indiscipline and communal bias in the security services will aggravate tensions and may intensify future sectarian violence. Past outbreaks have shown that Tamils and Sinhalese alike tend to look to their own resources for protection and vengeance when public faith in the government's ability to maintain order breaks down. []

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Government attempts to blame the disturbances on leftist forces and "foreign" (read Soviet) intervention, in our view, are not likely to divert much public attention from its handling of the crisis. We have no evidence of Moscow's involvement and believe that any expulsion of Soviet diplomats--reportedly being considered by Colombo--would be for domestic consumption. There are indications, however, that members of the small Sinhalese Marxist parties used the occasion to side with the Tamils in an effort to capitalize on the social disruption and embarrass the government. []

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Jayewardene's Role--No More Mr. Nice Guy?

President Jayewardene's silence and apparent inaction during the initial stages of the unrest have cast doubt on his ability to manage crises and his commitment to improving Tamil-Sinhalese relations. According to some Embassy reporting, Jayewardene was initially stunned and shocked by the suddenness and intensity of the violence and was unable to provide effective and decisive leadership. Based on subsequent Embassy reports, however, we conclude that he remains firmly in control and that his hesitancy

was due less to indecisiveness than a conscious surrender to pressure from hardline Sinhalese colleagues and Army commanders who wished to vent frustration with the Tamils by allowing security forces free rein to retaliate against the numerous killings of Sinhalese soldiers in the north. []

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Jayewardene continues to acknowledge the need for a political solution to the communal problem, according to Embassy and press analyses. We believe, however, that his earlier dedication to reasonable accommodation of Tamil demands for self-government has weakened and that he has abandoned the carrot in favor of the stick. []

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The President's endorsement in late July of a constitutional amendment banning groups that espouse separatism has increased the distance between the two communities and has further clouded prospects for reconciliation. The amendment was aimed squarely at emasculating the moderate Tamil United Liberation Front (TULF)--the major political spokesman for Tamil interests and the official opposition in parliament--which has long carried the torch for creating a separate Tamil state. Banning the TULF

- removes a significant moderating force between Tamil extremists and the Sinhalese majority,
- deprives moderate Tamils of a voice in government, leaving them with no means of political expression aside from taking to the streets, and
- encourages extremism in both communities, particularly among Tamil terrorists seeking to prevent reconciliation. []

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Jayewardene may have sought to neutralize the TULF because he believed the party had become too obstructionist as a political force and no longer enjoyed the support of its constituents in negotiating Tamil demands with the government. He may hope that the sobering events of the past two weeks will prompt TULF leaders to rethink their position on separatism and deal more constructively with Colombo. []

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The party could remain legal by repudiating Tamil independence but we consider this abrupt reversal unlikely. Even though Embassy reporting indicates that some TULF leaders see a Tamil state as unworkable and would like to soften their position, such a course would not be accepted by the Tamil community in the near term and would render the TULF leaders vulnerable to retaliation from separatist militants. We believe the TULF will probably adopt a low profile for the next several months as it cautiously seeks to build support among its constituents for a more compromising stand on the independence issue that would enable it to continue speaking for moderate Tamil aspirations. []

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Given the prevailing atmosphere of mutual animosity and suspicion, we believe that some sort of constitutionally-guaranteed, autonomous status for the Tamil majority areas will ultimately be necessary to neutralize the militant elements. Half-measures Colombo has tried in the past--such as the moribund District Development Council scheme--will no longer be enough to buy Tamil cooperation, yet the government appears less prepared than ever to consider more serious concessions. []

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Economic Impact

The rupture of relations among people rather than physical destruction has caused most of the economic damage. Almost all basic production facilities remain intact. The heaviest property losses have been to housing, stores and warehouses, and large segments of the textile industry. Sri Lanka's wholesale and retail trading network, which contributes about one-fifth of GNP and provided vital links between other sectors of the economy, has been fractured by the flight of the Tamils. Sinhalese businesses and the bureaucracy will function less efficiently while Tamil employees are absent and usual arrangements for buying and selling goods are disrupted. []

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We anticipate no insuperable obstacles to restoring essential operations in the Sri Lankan economy. Arrangements for distributing basic food items are already being successfully improvised. The bureaucracy has the experience to reestablish, if necessary, a national rationing system that would mitigate food shortages, although some hoarding is inevitable. Garment exports can probably rebound to near-normal levels within months after security is clearly established. Credit shortages coupled with the loss of skilled Tamil manpower will delay the revival of trade in less essential goods and of textile production for the domestic market. []

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Jayewardene's plans for creating a rapidly-growing, market-oriented economy have been stymied for at least the next year and probably much longer. Despite his policy preferences, government controls and subsidies, in our view, will probably be renewed in order to cope with shortages of finance and commodities without provoking new Tamil-Sinhalese confrontation. Lost incomes and the cost of reconstruction will make it more difficult than ever to redress the failure of government policy efforts to increase domestic savings and stimulate exports. In our judgment, prospects for attracting new foreign investment--a centerpiece of Jayewardene's growth strategy--are now clouded by the danger of renewed violence and by the increased risk that Colombo will be unable to honor its financial commitments. []

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The recent bloodshed will lead to additional strains on a balance of payments situation that the World Bank had already characterized as worrisome. Sri Lanka is highly dependent on imports of basic commodities and, even before the rioting, was

facing a growing debt service burden and stagnation or slowdown in almost all sources of foreign exchange earnings. Our rough calculations suggest that it must now cope with an additional loss of about \$100-200 million in foreign exchange during the remainder of 1983.* This is equivalent to only 4 to 8 percent of the capital and current receipts previously projected for 1983, but is large in relation to gross international reserves--\$282 million at the end of June. Export earnings could easily return to near normal levels by 1984, but the reconstruction effort will increase import needs. We estimate there is a better than even chance that Sri Lanka will need to seek rescheduling of part of its debt service obligations during the next two years. _____

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De Facto Partition Unlikely

We believe that the movement of thousands of Tamil refugees into the northern province--as well as the complementary migration of northern Sinhalese to the south--is unlikely to create a de facto partition of the country in the near term. Only a fraction of the approximately 127,000 displaced Tamils are apt to seek permanent resettlement in Jaffna, which would be hard pressed to support and employ them. In our judgment, most of the Tamil refugees from the Colombo area will probably return to reestablish their homes and jobs when they believe it is safe. _____

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A real partition of the island would have a disastrous effect on the economy and would necessitate massive international charity for many years. Tea production--which provides a third of Sri Lanka's export earnings--would plummet if Tamil estate workers, who were not involved during the recent fighting, leave the plantations for even several months. Such population movements are likely only if increased communal polarization and reduced government ability to mediate the conflict result in repeated widespread violence against Tamil lives and property. _____

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Implications for The United States

Communal instability is unlikely to pose any real threat to Sri Lanka's pro-West government. The island has a strong democratic tradition and since independence has changed government only through elections. Jayewardene's grip on power

*Our calculations exclude both the need for refugee relief commodities and receipts of donations from foreign governments and voluntary agencies. They attempt to estimate the impact of insecurity, destruction, and the disruption of the distribution system on imports, exports, tourism, private transfers and capital flows. _____

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is stronger than ever following his own and his government's reelection last fall for another six years. We doubt that the Marxist parties, given their minimal public support, are in any position to seriously challenge the government by stirring the communal pot. []

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Sri Lanka's rejection of Indian offers of assistance in favor of requesting help from other countries--including the United States--poses a fundamental challenge to New Delhi's dominance of the Subcontinent, a basic tenet of Indian foreign policy. US attempts to aid Sri Lanka--either militarily or through offers of relief aid--risk straining relations with New Delhi. We believe India suspects that the US may attempt to exploit the crisis in ways detrimental to Indian security interests. In our judgment, New Delhi will continue to oppose strenuously any non-Indian attempts to aid Sri Lanka militarily and will continue to insist on a direct role for itself as the price for its acquiescence in any international relief effort. []

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Although foreign aid can ease the financial burden of reconstruction, some relief or peacekeeping efforts, even if requested by Jayewardene, could easily be misconstrued as intervention in the communal strife. Many Sinhalese would see help in evacuating refugees to the north as an endorsement of the partition of Sri Lanka. Loans or grants provided only to displaced Tamils would be resented by Sinhalese who suffered indirect economic losses. Tamils would almost certainly condemn aid to the predominantly Sinhalese armed forces--either through increased training or the provision of modern equipment--as implicit support for Sinhalese supremacy. Forms of aid that provide general support for the Sri Lankan budget or foreign exchange position--such as debt rescheduling or unrestricted loans and grants--are less likely to arouse resentment of the United States. []

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Prospects for Indian Intervention

We cannot rule out the possibility of Indian military intervention in Sri Lanka if civil unrest recurs, although we believe it is remote. In our judgment, India would be prone to intervene only in the unlikely event that prolonged, wholesale chaos prevented the Sri Lankan government from restoring order and appeared likely to spark a large-scale Tamil exodus to southern India or a campaign of genocide. Prime Minister Gandhi's eagerness for greater political leverage among Indian Tamils in Tamil Nadu would not be enough to prompt Indian adventurism in behalf of their Sri Lankan counterparts. []

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